

Message Text

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43

ACTION ARA-20

INFO OCT-01 ADP-00 OPIC-12 AID-20 IGA-02 EB-11 COME-00

TRSE-00 XMB-07 L-03 SS-15 NSC-10 CIAE-00 DODE-00

INR-10 NSAE-00 PA-03 RSC-01 USIA-12 PRS-01 NIC-01

INT-08 RSR-01 /138 W

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P 091807Z JUL 73

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 4814

C O N F I D E N T I A L SANTIAGO 2994

E.O. 11652: GDS

TAGS: CI, BDIS

SUBJ: CERRO HOPES TO SIGN PRELIMINARY AGREEMENT WITH GOC

PASS OPIC, EXIM, AND TREAS

REF: SANTIAGO 2970

1. SUMMARY: CERRO VP WALSH TOLD ME JULY 9 THAT DESPITE THREATENED FAILURE OF TALKS LATE JULY 6, ALL MAJOR ISSUES REGARDING GOC DEBT TO CERRO NOW RESOLVED AND THAT AGREEMENT IN PRINCIPLE EXPECTED TO BE READY FOR SIGNING TODAY. END SUMMARY

2. NEGOTIATIONS TOOK A SHARP TURN FOR THE WORSE AFTER MURPHY/WALSH TALKED WITH ME JULY 6 (REFTEL). MURPHY CALLED DURING EARLY EVENING TO REPORT THAT GOC NEGOTIATORS WERE TRYING REOPEN NEGOTIATION OF SETTLED ISSUES. AS A RESULT, MURPHY FELT SETTLEMENT IMPOSSIBLE, AND ASKED ME TO HELP SET UP MEETING BETWEEN MURPHY AND PRES ALLENDE SO THAT MURPHY COULD DISCHARGE HIS PREVIOUS PROMISE TO ADVISE PRESIDENT BEFORE TERMINATING DISCUSSIONS. I IMMEDIATELY INFORMED FONMIN LETELIER OF SITUATION. LETELIER SAID HE COULD NOT GUARANTEE MEETING WITH ALLENDE BUT WOULD TRY TO ASSIST SETTLEMENT. ON THAT BASIS, MURPHY AGREED TO DEFER HIS SCHEDULED DEPARTURE FROM SANTIAGO FRIDAY NIGHT AND STAY ON
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THROUGH SATURDAY. WALSH SAID HE THEN RECEIVED CALL FROM GOC

NEGOTIATORS AROUND 2300 HRS JULY 6, INDICATING NEW CONCILIATORY ATTITUDE ON THEIR PART. HURRIEDLY CONVOKED NEGOTIATING SESSION JULY 7 NAILED DOWN AGREEMENT, WHICH WAS "SEALED WITH A HANDSHAKE".

3. OUTLINE OF PRESENT AGREEMENT AS FOLLOWS: DURING FIRST THREE-YEAR PERIOD (76-78) CERRO TO RECEIVE GUARANTEED MINIMUM 9,000 TONS REFINED COPPER ANNUALLY. SECOND THREE-YEAR PERIOD CERRO GUARANTEED 6,000 TONS ANNUALLY PLUS PERCENTAGE ANY INCREASE IN PRODUCTION. FOLLOWING THREE-YEAR PERIOD CERRO WOULD BE GUANANTEED 3,000 TONS ANNUALLY AND REMAINING PERIOD WOULD GET 2,000 TONS ANNUALLY. GOC FURTHER AGREES TO RUDUCE CONCENTRATE TO WIRE BARS AT PREFERENTIAL TOLLING RATE AND PAY FREIGHT AND INSURANCE CHARGES FOR SHIPPED COPPER. WALSH SAYS DEAL WILL SATISFACTORILY COVER EQUITY, DEBT AND INTEREST.

4. WALSH SAID THAT AGREEMENT IN PRINCIPLE, ONCE SIGNED, WILL NOT BIND EITHER PARTY, BUT CONSTITUTE A KIND OF "LETTER OF INTENT". NEW ACCOMMODATING ATTITUDE OF GOC NEGOTIATORS, HOWEVER, MAKES HIM OPTIMISITIC THAT BINDING AGREEMENT WILL BE FORTHCOMING. WALSH SAID GOC SEEMS ANXIOUS HAVE SOME TYPE OF ACCORD SIGNED PRIOR TO PARIS CLUB MEETINGS THIS MONTH AND NOTED THAT GOC NEGOTIATORS ASKED HIM WHETHER HE KEEPING USG INFORMED OF PROGRESS OF NEGOTIATIONS. WALSH SAID CERRO DID NOT RPT NOT WANT AGREEMENT PUBLICIZED AND HAD THE IMPRESSION GOC WOULD NOT PUBLICIZE SETTLEMENT AT THIS TIME.

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